



NORTHEAST OHIO COALITION FOR THE HOMELESS

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The Honorable Arne Duncan
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Secretary Duncan:

As organizations representing students and homeless people in Cleveland, we write to express our support for the Department of Education's efforts to make its regulations more consistent with the program integrity provisions in Title IV of the Higher Education Act. **In particular, we urge you to propose regulations on incentive compensation and gainful employment that will more effectively protect students from high-pressure and deceptive sales tactics for educational programs of little or no benefit to them, and will ensure that taxpayer dollars do not subsidize such practices and programs.** We have witnessed high pressure tactics by recruiters from Phoenix University within the homeless shelters that led to the article in Business Week from April 2010, but these problems are not limited to one institution.

To protect both students and taxpayers, federal law prohibits "any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid," and requires vocational programs and nearly all programs at for-profit institutions to "prepare students for gainful employment in a recognized occupation." Yet, examples of overly aggressive recruiting are plentiful. Some for-profit institutions recently made headlines by targeting homeless shelters in their recruitment efforts.

- In Cleveland, the recruiter promised the shelter that they would provide free computer classes for all the residents of the shelter in exchange for the ability to attend meetings and recruit from the residents of the shelter. The free computer classes were never set up, but the recruitment took place leading a number of residents to significant debt issues.
- One for-profit institution paid \$78.5 million to settle a whistleblower False Claim Act lawsuit with another paid \$9.8 million to the Department of Education to resolve claims that it was paying improper incentive compensation to its recruiters.
- Yet another large for-profit institution paid \$6.5 million to settle a lawsuit brought by the California Attorney General charging "a persistent pattern of unlawful conduct," including the inflation of job placement and starting salary information in order to recruit students to enroll in costly vocational programs, and falsification of records provided to the government.

While most schools may not engage in such practices, federal data suggest these are not isolated incidents. Students at for-profit schools are the most likely to borrow and they borrow the most. This is especially troubling since we have such a fine Community College network locally.

Cuyahoga Community College has the ability to take care of most of the educational needs of homeless people, and is substantially more affordable.

According to the most recent federal data, one in five for-profit school students default on their federal loans. A full 44% of all defaulters attended for-profit institutions, even though just 7% of all students attend for-profit schools. Low-income, first-generation and minority students attend for-profit institutions at disproportionate rates, making them particularly vulnerable to illegal or unscrupulous acts by these schools.

Incentive Compensation. In direct conflict with federal law prohibiting institutions of higher education from providing “any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid,” current regulations permit incentive payments that are not “based solely” on the number of students recruited, admitted, enrolled or awarded financial aid. Some schools have aggressively exploited this and other loopholes in the current regulations to do just what the statute is intended to prohibit. Consistent with the Department’s proposals during the negotiated rulemaking process, the proposed new regulations should conform to the law and prohibit any employee or contractor compensation “based directly or indirectly” on successfully securing student enrollments or aid. **To avoid creating additional loopholes, it is important that the prohibition include compensation based directly or indirectly on applications or enrollment up to and including completion, as well as payments for prospective student contact information.**

Gainful Employment. Each year, students borrow and taxpayers spend billions of dollars to subsidize attendance at programs required to “prepare students for gainful employment in a recognized occupation.” Yet, the Department’s current regulations include no official definition of “gainful employment.” **We urge you to develop regulations that define gainful employment in a way that is measurable, enforceable, not overly burdensome to schools, and is aligned with the following principles:**

1. **Include all debt incurred at any affiliated school.** All debt incurred at a school under the same control structure must be included in any measure of gainful employment that considers debt.
2. **Include all private loans known to the school and its affiliates.** Debt-related measures of gainful employment must include all private loans that should be known to the school..
3. **Avoid loopholes for programs with both high student borrowing and low completion rates.** A low completion rate is one of the ways schools can fail to prepare students for gainful employment.
4. **Use only data that are accurate and consistent across colleges and programs.** Existing requirements for the calculation and reporting of completion and placement rates are not sufficient for use in any success-based measure of gainful employment. It is therefore essential that the data and reporting standards are clear, consistent and *independently verified*.

Again, we applaud your initiative in reviewing the Department’s current program integrity regulations to ensure their consistency with federal law and to protect both students and tax payers. We support your efforts and stand ready to assist you to improve the Department’s regulations.

Sincerely,



Brian Davis
Executive Director